TD

Distr.
LIMITED
TD/II/WG.II/L.14
25 March 1968
Original: ENGLISH

United Nations Conference on Trade and Development

Second session
WORKING GROUP II
Agenda item 14

Dual distr.

TRADE EXPANSION AND ECONOMIC INTEGRATION AMONG DEVELOPING COUNTRIES, MEASURES TO BE TAKEN BY DEVELOPING AND DEVELOPED COUNTRIES, INCLUDING REGIONAL, SUB-REGIONAL AND INTER-REGIONAL ARRANGEMENTS

Statement made by the representative of the Secretary-General introducing the discussion on item 2 of the Working Group's agenda 1/

International Support Action

1. At the request of the Chairman, I shall make a few remarks with regard to the three sub-headings of the present Agenda item, i.e. commercial support action, financial support action, support action in the field of technical assistance.

In view of the short time at the disposal of our Group, I venture to formulate some questions which we have raised in our reports and to which the debate may provide some answers. These questions are not addressed to one group of countries only, but concern the international community as a whole because, indeed, the content of international support action may best be determined jointly by all concerned.

I.

2. Let me first state some basic questions which cover all three fields for which international support action may enter into account:

3. Does the international community agree with the various reasons why trade expansion and integration among developing countries constitutes an essential element of the so-called global strategy for development, particularly because it would lead to a more rational use of the scarce internal and external resources available for development?

4. Does the international community share the view that trade expansion and integration among developing countries faces special problems and difficulties as compared to similar efforts among developed countries?

1/ Circulated at the request of the representative of Nigeria.

5. Does the international community agree that some of these obstacles at leas could be overcome rapidly or more easily if the joint efforts of developing coun were backed-up by developed countries and international organizations?

II.

6. Let me now refer to the specific questions that arise under the heading referring to commercial support action. Here some explanations may contribute t the clarification of the issues at stake.

As it is known to the Group, the principle of the most-favoured-nation trea governs the relationship between countries in the commercial field. Traditional it had, however, been recognized that countries can deviate from this principle if they commit themselves to forming customs unions or free trade areas i.e. if commit themselves to abolishing all trade barriers among the group of countries concerned. In view of the special difficulties which trade expansion and integr among developing countries encounters, the point of view has, however, been pres for some years now, that less far-reaching commitments than free trade areas and customs unions may often be the only way of starting a co-operation process amon developing countries. Already, at the First UNCTAD, Recommendation A.III.8 and General Principle 8 gave some recognition to this point of view. But at the Trad and Development Committee of the GATT in Spring 1968, a further important step wa made in this direction. This Committee concluded "that the establishment of pre among less-developed countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trad among these countries and to the attainment of the objectives of the General Agreement". The Committee also gave consideration to the form and scope of such preferential arrangements, to the measures for safeguarding the interests of othe Contracting Parties as well as to the appropriate legal provisions for such arrangements. But it concluded "that before an attempt was made to draw up speci legal provisions or formulae for the exchange of preferences, it would be helpful see what concrete proposals or arrangements might in practice be made or negotiat by less-developed countries acting within the spirit of part IV". It indicated t "less-developed countries propose to enter into exploratory talks in this regard an early date", and the Committee recommended therefore "that arrangements be mad for the examination of any such proposals or arrangements when they are received. The conclusion may be drawn from this decision by the GATT that,

The principle of exchanging preferences among developing countries is recognized.

The GATT invites developing countries to work out concrete schemes among themselves.

No automatic green light to such arrangements is given because the GATT will examine on a case-by-case the question of whether it will grant to such arrangements a waiver under Article XXV of the General Agreement.

The question may, therefore, be formulated in the following terms: Has the awareness of the importance of trade expansion efforts among developing countries increased since the GATT meeting two years ago, to such an extent that it would be useful to go a step further and to indicate, for instance, the spirit in which this case-by-case examination will be made?

7. The second question arising under the heading of commercial support action relates to the preferences granted by some developing countries to some developed countries, be it on a contractual basis or not. Indeed, if trade among developing countries is to be expanded, they would have to be put at least on an equal basis with the developed countries concerned or even get an advantage over them. As long as developed countries enjoy a commercial policy advantage over other developing countries in certain markets of developing countries, the desire to expand trade among the developing countries concerned can hardly materialize.

Some of these developing countries may be hesitant to change this situation because, rightly or wrongly, they may feel that to grant preferences to other developing countries against the developed countries concerned, would endanger the commercial or other advantages which they enjoy in the markets of the developed countries. These commercial and other advantages may be all the more precious for them as no universal policy in the benefit of all developing countries has as yet been adopted. These developing countries may fear, in other words, that the preferences or other advantages which they presently enjoy in developed countries, get lost if they extend preferences to other developing countries. No doubt, this is not the only, and perhaps not the most important, factor for insufficient progress in trade expansion efforts among developing countries; but it is certainly one of the many inhibiting factors which make trade expansion efforts among developing countries so difficult. Developing countries will hardly embark

on the unavoidably difficult negotiations with other developing countries if they have doubts as to whether the agreement with them can be implemented, or if they fear that they would suffer losses in the developed world because they have given some advantages to other developing countries. This type of problem arises to a greater or lesser extent in all developing continents and may be in some cases the fears are purely imaginary. Therefore, the question may be formulated as follows: Can the developed countries which presently enjoy preferences in some developing countries give some indications as to the attitude which they would take if developing countries negotiate mutually beneficial agreements among themselves that touch the immediate trade interests of the developed countries concerned? Could they, for instance, accept that imports from them do no longer enjoy advantages over imports from other developing countries, whenever these developing countries succeed in concluding mutually profitable agreements with other developing countries?

III

8. With respect to financial support action, the answer to the following questions may make it possible to assess the stage which the process of international opinion formation has reached:

9. Does the international community agree that the solution of certain specific problems arising in trade expansion and integration processes among developing countries would be a legitimate and worthwhile use of international financial assistance?

10. What are the problems for which assistance would be justified? In this respect, I would refer to TD/15, paragraphs 54 to 62, where a rather large list of such problems worthy of assistance is mentioned.

11. Is it recognized that there is a certain link between the financial assistance available and the more or less far-reaching nature of the joint efforts of developing countries, i.e. is the financial assistance all the more justified, the more the joint efforts of developing countries can be expected to have an accelerating effect on the rate of development?

12. Is it agreed that concrete outside assistance can be considered only in those cases where a group of developing countries has taken the initiative to present a specific scheme which its members have negotiated among themselves, it being understood that a sound evaluation of the needs that would arise in the course of the scheme's implementation would have to be made?

13. Among the problems that may deserve assistance, the question of support to reserve funds for multilateral payments arrangements among developing countries may deserve special attention, and I, therefore, venture to devote a special question to it: Does the Working Party agree with the conclusion of the UNCTAD Expert Group on this subject - which was composed of a majority of experts who hold responsible positions in government or banking - which stated in paragraph 85 that "Contributions by developed countries to such funds would represent an efficient use of development finance, and would promote more efficient use of other development finance."

Let me add a comment here. In discussions in the developing part of the world on trade expansion among developing countries, great prominence is usually given to the example of the European Payments Union which permitted Western European countries to proceed rapidly to intra-European trade liberalization. In these discussions, it is always recalled that the United States made an important contribution to the Reserve Fund of this Payments Union which was the condition for its success. However, developing countries have, hitherto, not been encouraged, but on occasion positively discouraged, to follow the same path. One of the reasons for this attitude was that the situation in post-war Europe was completely different from that existing among developing countries and that, therefore, the same remedy was not applicable. In our studies we cannot fail to recognize that there are some important differences with respect to the situation in post-war Europe, but we also think that there is a definite link between the adoption of more far-reaching trade liberalization commitments, on the one hand, and payments arrangements with sufficient credit margins to enable the participating countries to deal with the inevitable problem of temporary imbalances. To discourage the use of the latter method, may make it all the more difficult to arrive at meaningful trade liberalization agreements among developing countries. But of course, this is a difficult problem that may deserve consideration at a technical level.

IV.

14. Let me finally make a few points regarding technical assistance. If trade expansion and integration among developing countries is a difficult process, the outside experts to assist it must be people with considerable practical experience. People who have done the job already in other circumstances are usually better experts than those who have read about it in books only. We have received from Latin America, from the Maghreb and from other African bodies, the request to seek out such experts, for instance, for origin matters, for item-by-item negotiations, for ways and means of establishing a common tariff, etc. Yet, these people have usually responsible positions in developed countries or in other developing countries, and one does not like to let them go. What can be done by national governments and groupings or by international institutions to put these people at the disposal of interested groups of governments of developing countries?

15. In our contacts we have often found that one reason of the reluctance to put these people at the disposal of interested groups or governments is the feeling that the work to be done would be "just another study". Governments are not willing to let people go if they have in the past made the experience that the conclusions of the expert will just be added to the heaps of unread papers which international organizations and experts financed by them seem to be condemned to produce. Would the potential providers of technical assistance be more forthcoming if the requests were not only made by governments or regional bodies, but would be specifically linked to a concrete negotiating effort that has the political support of the governments of the developing countries concerned?

16. Since the problem of trade expansion and integration among developing countries poses itself in different terms from that among developed countries, what can be done to ensure that these experts acquire the necessary awareness of the experiences made in other developing regions and even can obtain technical back-stopping during their mission?

17. Finally, a negotiation cannot be carried out by outside experts; it must base itself on national staff. If this staff does not exist and if the techniques for defending in a reasonable but effective way the national interest of the countries

concerned are only vaguely or not known, governments must of necessity be fearful to embark upon negotiations. This handicap applies particularly to the relatively less advanced countries who as a consequence of it, tend sometimes to stay out of co-operation movements because it appears to be the safest way, though precisely for these countries, the regional or sub-regional market is usually particularly vital. Is there therefore a place for training courses regarding specific questions relating to the trade expansion and integration process among developing countries?

18. These are only some of the questions arising under the sub-heading relating to technical assistance. I have consciously not mentioned the institutional problems relating to this question of technical assistance. It may be easier to have a look at these with a view to simplifying them, once one knows whether there is a need for additional or improved international support in regard to technical assistance.